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ECONOMIC AFFAIRS

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20 April 1981

CHINA REPORT ECONOMIC AFFAIRS

No. 131

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ERRATUM: in JPRS 77822 of 14 April 1981, No 129 of this series, in the article entitled "Jiansu Chemical Industry" on pp 22-23, please correct "Jiansu" to read "Jiangsu" in the headline and subslug and throughout the article.

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ECONOMIC PLANNING

ECONOMIC, SOCIAL DEVELOPMENTS IN CHINA, INDIA COMPARED

In India

Beijing RENMIN RIBAO in Chinese 3 Mar 81 p 7

[Article by Lamasiwami (of India): "China and India: Compared and Contrasted"]

[Text] Editorial note: Lamasiwami, Indian economist and Director of India's Administration Research Center of Bangalore, spent 3 weeks on his visit to China in 1980. On his return to India, his article "China and India: Compared and Contrasted" was published in HINDU of 1 December 1980. His description of the economic and social developments in China and his comparison and contrast between China and India was well-intentioned. Since his stay in China was very brief, his understanding of China's conditions cannot be profound. We believe that India's efforts in raising its grain output and in developing modern industry and education can be used as reference in China. We hope the Chinese and the Indian people will learn from each other and advance hand in hand. Excerpts from his article "India and China: Compared and Contrasted" have been translated and is now published as follows:

No other two countries can offer so much of interest for comparison and contrast as India and China are capable of offering. Both countries have had an ancient civilization, and each one has developed under its own philosophical and cultural impact. Border disputes are common all over the world, but these two giants, except for a brief confrontation of 1 week in 1962, have never been at war for some 5,000 years. The areas and economy of both countries are continental in nature and their combined population of 4 billion amounts to 40 percent of the world population

The Chinese leaders now know that their economy became disintegrated during the Great Cultural Revolution, and that there have been 10 years of stagnation. Since then, as they said, they have recovered from the disruption.

During the Great Cultural Revolution, individual farming was frowned upon, and under any circumstance, agricultural products must be delivered to the government cooperatives. Now, however, free markets are permitted wherever there are things for sale. The peasants can keep a small number of domestic animals, although, as a precaution against speculation and profiteering in the free markets, the government has set up quality standards and price control to supervise over business transactions.

The provinces, communes and production brigades now enjoy greater autonomy, and do not have to consult Beijing about their work. The set targets are all flexible.

It is said that many factories and some communes are practicing material incentive on an experimental basis. This is not applicable to those who are not directly engaged in production, such as workers in government offices, educational organizations and the army.

In the several communes I visited, an average family generally owns 300 square meters (equivalent to 0.45 mu in China) of private plot. The income from this source amounts to approximately 30-70 percent of the income from the collective. A family with 2.2 able-bodied workers receives a standard income of 400-700 rupees (1 rupee=0.16 yuan in Renminbi) from the commune. Private plots are not required in well-to-do communes; only the relatively poor communes need them.

China's Economic Progress

China's average per capita income doubles or even trebles that of India. The GNP is quite evenly distributed with little or no disparity. The idea of equality is most vividly manifested by the ample supply of products basically needed in daily life, and the selling prices have only been slightly increased in more than 20 years.

The majority of peasants, workers and government personnel receive 200-500 rupees each month, and each household has 2-2.5 working persons. Of course, people of the upper strata, especially the wealthy people of the top tenth in India enjoy far better living than the Chinese people do in China. Living conditions for the remaining 90 percent, however, are better in China than in India. There is no hunger or poverty. They seem to be well fed, and their shoes and clothing are all neat. The living space is quite congested, but no one sleeps in the street or in decrepit houses. There is no slum area like ours.

It should be pointed out that China in 1949 was even worse off than India. After decades of foreign oppression and civil wars, there was then no central political power or central government. Even a unified currency was nonexistent, and the basic structure was chaotic. Both the leaders and the people of China had to suffer all the time.

Achievements Compared

The following table gives a simple comparison between China and India in economic and social developments:

<u>Items</u>	<u>China</u>	<u>India</u>
Population	970 million	660 million
Cultivated land	100 million hectares	130 million hectares
Grain output*	330 million tons	140 million tons
Tea	0.3 million tons	0.6 million tons
Sugar	2.5 million tons	5.9 million tons
Chemical fertilizer	10.6 million tons	3 million tons

*Including potatoes

<u>Items</u>	<u>China</u>	<u>India</u>
Farm animals	60 million head	60 million head
Methane pits	7.3 million	0.6 million
Steel	33 million tons	8 million tons
Cement	60 million tons	22 million tons
Coal	600 million tons	120 million tons
Crude oil	106 million tons	12 million tons
Railway transport	0.56 trillion kilometer/tons	0.2 trillion kilometer/tons
Generated electricity	282 billion units	103 billion units
Foreign trade	120 billion rupees	60 billion rupees
Cotton cloth	12 billion meters	10 billion meters
Bicycles	10 million	4 million
Wrist watches	17 million	4 million
Synthetic knitwears	3.5 billion meters	1.2 billion meters

Judging from this comparison of achievements, even people with a prejudice will admit that China is far ahead of India. However, it is dangerous to praise China and unpatriotic to criticize India. It would be better for us to study Chinese realities. After all, India's political system was inherited from the colonialists; therefore, learning from China should not be terribly wrong. China has mobilized the entire society for production. There is no such thing as strikers, lock-outs, sit-down strikes, or chaos created by upheavals in the peasantry and the working class as we have in India.

It is true that India has passed on to China the technology of methane. China has already set up hundreds of methane plants for the recycling of human manures, barnyard manures and decomposed vegetables. In this process, the peasants can use methane for fuel and lighting in addition to fertilization. In India, peasants fell trees for firewood and 60 percent of the manures are used for fuel. In China, the system of communes, production brigades and production teams makes it possible for people to carry out afforestation on a social scale. The Chinese even set aside part of the land specially for growing fodder. Their cattle are well fed and carefully tended.

In comparison, the conditions in India are far from favorable. There is a shortage of fodder for the cattle, which are ill-treated throughout their working years in the fields. In China, there are 6 million locally raised pack-mules. Their farm tools and wagons are elegantly designed, and their farming and herding are closely coordinated.

China's Agricultural Achievements

China's agricultural achievements are attributed to the reorganization of collectives in such a way that the rural communes can play a full role. The 5.3 million production teams in China, unlike the 60 million farming households, which are scattered and on the verge of bankruptcy in India, are advancing with a united will toward a common militant goal. They are never short of manpower in the seasons of plowing, sowing and harvesting. While some people are harvesting, processing and selling their first crop, other people are already sowing for the second crop. Nearly 700,000 production brigades and 53,000 communes are able to plan their work and distribution of funds at the regional level, and to use their scientific and technological forces in the fields.

The technical equipment for the poor peasants and the small peasantry in India is too poor, and no funds can be raised for modernization. They are so short of purchasing power that they cannot even afford to buy cattle. Old primitive plows are still being used by 90 percent of the peasants in India. Even though they may produce something extra, the rise and fall of prices not only deprive them of what they should earn from this source, but also make them suffer losses. Because of the stable prices in China, increased production means increased income for the communes. The effects of currency inflation in China is negligible.

Industry

Chinese people are also doing well in industry. In India, however, the management of public institutions is poor because of incessant political intervention and the lack of decision-making power for these institutions. The Chinese people have laid 30,000 kilometers of new railway tracks, while India has been able to increase its own by only 10,000 kilometers. A comparison of the same departments in the two countries shows that India is definitely inferior, because we cannot fully utilize our assets.

Social Conditions

India has not been able to solve such basic problems as unemployment, inequality, illiteracy, currency inflation, crimes, violence and extreme poverty, but most of them have been solved in China. It has a fine system of public health, but no miserable slums as those of India. Here, in India, we do not even have such a social plan.

In China, there is no problem with violence or sex in public TV shows. Prostitution, rape and indecent acts against the females are daily increasing in our country. While the Indian society is haunted by strikes, lock-outs, conflicts, antagonism, power clashes, social unrest, and direct torments from political activities, Chinese people are free from problems with law and order. While India is worrying about the growing degeneration and degradation of public and social life, selfishness and regional prejudices, China's political and social forces are giving a strong impetus to coordination and cooperation.

Leaving out communist dogma, we can say that the greatest achievement in China is the organization of the formerly unorganized departments. Chinese people are not fettered by dogmas. In our country, 80 percent of the economic and social activities are unorganized, and the experimentation of cooperatives has basically failed. China has the favorable conditions for the application of managerial technology and scientific know-how in practice. We have a lot to learn in the understanding of social organization and its necessity and in improving our unorganized departments. China too is anxious to learn from us in the spheres where we are far ahead.

The whole world is now watching these two countries with mixed feelings of admiration and concern.

In China

Biejing GUANGMING RIBAO in Chinese 3 Mar 81 p 3

[Article by Zhang Shengnian [1728 4141 1819]: "Economic Developments of India and China Compared"]

[Text] Before making any comparison, people may probably ask: "Why do we compare ourselves with a developing India instead of some developed capitalist country?" It is true that there are different ways of comparison, and we can compare with developed capitalist countries as well as with developing countries. However, I believe that comparison with a country with similar national characteristics can be more practical and convincing. We compare China with India because both are developing countries and there are many similar characteristics in their national conditions. First, one was liberated and the other gained its independence at about the same time. The People's Republic of China was founded on 1 October 1949, while the Republic of India was established on 26 January 1950 as an independent nation. These two events took place in less than 4 months. Secondly, both are large and poor. Among the nine countries with more than 250,000 square kilometers in the world, China occupies the third, and India occupies the seventh place. According to a survey on 184 countries and regions conducted by the World Bank, the average per capita GNP in 1977 of both countries was behind 120 others (China was in the 129th; and India in the 168th place) and were classified as poor and very poor countries. Thirdly, both have large populations. Among the seven countries with a population of more than 100 million, China ranks first and India ranks second. In China, the number of peasants amounts to 80 percent of the population; the same is true of India. Fourthly, they do not have much to start with. In the past, China was a semicolony and a semifeudal country, while India was a British colony. Both countries had long suffered from the oppression and exploitation of imperialism, bureaucratic capitalism and feudalism. Their economy was very backward with a very weak industrial foundation and underdeveloped agriculture. The average per capita national income was 77 dollars in India in 1948 and only 28 dollars in China in 1950.

There are only two countries—India and China—with these characteristics. More than 30 years have passed since the independence of India and the birth of New China. How is the economic development in these two countries throughout all these years? This is a matter of concern for many people. Now let us make a simple comparison of the economic developments in these two countries.

Main Output of India and China Compared

项 目 Item	1950年			1979年			印度1979 年比1950 年增长的 D指数	中国1979 年比1950 年增长的 E指数
	A印度	B中国	C中国为印 度的%	A印度	B中国	C中国为印 度的%		
原油(万吨) 1	26	30	115.4	1,200	10,615	884.5	45.1	352.8
原煤(亿吨) 2	0.32	0.43	134.6	1.20	6.35	529.1	2.7	13.7
电力(亿度) 3	53	43.2	81.5	1,030	2,819.5	268.5	18.4	64.2
生钢(万吨) 4	100	37.24	37.2	800	3,448	431.0	7.0	91.5
水泥(万吨) 5	265.5	138.3	52.0	2,200	7,390	336.0	7.2	52.1
化肥(万吨) 6	1.77	1.59	90.0	300	1,065.4	355.1	112.0	675.4
棉布(亿米) 7	41.41	25	66.3	100	121.5	121.5	1.4	3.8
粮食(亿吨) 8	0.51	1.05	206.0	1.40	3.32	237.2	1.7	2.1
棉花(万吨) 9	52	69	132.7	117.1	220.7	188.5	1.3	2.5

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|--|---|
| Key: 1. Raw oil (10,000 tons). | A. India. |
| 2. Coal (100 million tons). | B. China |
| 3. Electricity (100 million units). | C. China's percentage of India. |
| 4. Steel (10,000 tons). | D. India's growth from 1950 to 1979 in number of times. |
| 5. cement (100,000 tons). | E. China's growth from 1950 to 1979 in number of times. |
| 6. Chemical fertilizers (10,000 tons). | |
| 7. Cotton cloth (100 million meters). | |
| 8. Grain (100 million tons). | |
| 9. Cotton (10,000 tons). | |

From the above table, we can see that among the nine items compared in 1950, we were ahead of India in four of them by only a small margin, namely from 15.4 percent to 106 percent, and were behind India in the remaining five items. However, 30 years later, the economic developments in the two countries were very much different. In 1979, we were ahead of India in all nine items, and by a wide margin, namely from 21.5 percent to 784.5 percent. The growth of these nine items was also faster in China. Compared with 1950, the range of increase in 1979 was from 2.1 to 675 times, while that of India was only from 1.3 to 112 times. These are ironclad proof of our better conditions and our faster development. These universally recognized facts show the great superiority of the socialist system over the capitalist system. Were it not for the several setbacks we suffered as a result of the leftist line, which undermined the socialist superiority, our conditions should be even better and our achievements should be far greater than those of India.

From the comparison of economic developments in these two countries, we can see a thought-provoking problem: The independence of liberation of both countries took place at about the same time and they have so much in common; yet 30 years later, the economic developments in these two countries are so vastly different. Why? In studying the national conditions of the two countries, we should note not only their similarities, but also their special characteristics. We must pay attention to this point before we can tell the actual difference between India and our country. What are the causes of difference? First, the party leadership. We are under the leadership of the Communist Party, which is a political party of the proletariat, represents the interests of the working people and serves the people. India is under the leadership of the leadership of the Congress Party, which is a political party of the bourgeoisie, represents the interests of the bourgeoisie and serves the bourgeoisie. Second, the roads taken by the two countries. China takes the socialist road, while India takes the capitalist road. Third, the roles played by the people. In our country, people are the country's masters and the state exercises the people's democratic dictatorship which is in fact the dictatorship of the proletariat. Thus full play is given to the people's enthusiasm and creativity. Although India is independent, its people are still dominated, oppressed and exploited. Since the state exercises bourgeois dictatorship, it cannot arouse the people's enthusiasm and creativity. Fourth, the guiding thought. In our revolution and construction, we firmly adhere to Marxism-Leninism-Mao Zedong Thought as the guiding principle, while India is guided by decadent bourgeois ideas. These are the special characteristics distinguishing China from India as well as the cause of difference between the economic developments of the two countries.

We should point out that all comparisons are only relative. Although we are far ahead of India in the output of main products, it does not mean that we are superior to India in all respects. We are behind India in certain respects, such as culture and education. On the other hand, conditions in our country are better than India's; but this should be no cause for our complacency. Compared with the developed capitalist countries, we are still far behind. In 1979, for example, the average per capita national income was 10,763 dollars in the United States, and only 253 dollars in China. Therefore, while recognizing our great achievements won under the party's leadership, we should also realize that we are still very backward and poor. We must recognize our own backwardness, and, instead of being willing to lag behind, we must make an effort to catch up. We can continue to improve our national conditions only provided we firmly uphold the four basic principles under the party's leadership, implement the principles and policies formulated after the Third Plenum of the 11th National Party Congress, eliminate the leftist errors in economic construction, and give full play to the superiority of the socialist system. From our comparison with India, we should further strengthen our confidence in the four basic principles and the accomplishment of the four modernizations.

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CSO: 4006

FINANCE AND BANKING

TAX EVASION ATTEMPT BY SICHUAN NO 1 TEXTILE MILL INVESTIGATED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 2 25 Feb 81 p 11, 29

[Article by JINGJI GUANLI contributing correspondent: "Facts of Sichuan No 1 Textile Mill's 'Evasion of Some 2.4 Million Yuan's Income Tax'"]

[Text] On 2 December 1980, GONGREN RIBAO carried a news report and a commentator's article on the use of fraudulent means by certain leaders of Sichuan No 1 Textile and Printing and Dyeing Mill to "evade the payment of some 2.4 million yuan's income tax." This news was broadcast by the Central People's Broadcasting Station in its national hook-up on the same day, followed by a similar report in FINANCIAL FRONT.

The Sichuan No 1 Textile Mill is one of the enterprises engaging in the experiment of "paying taxes rather than handing over profits to the state, practicing independent business accounting and taking responsibility for their own profits and losses," and has been introduced to the public many times through the media of newspapers and radio. This journal has also published articles written by its leaders. This publicity has therefore attracted widespread attention, and many people are eager to know exactly what had happened about this mill's evasion of income tax. To acquaint our readers with the real situation and its causes and effects, we have conducted our own investigation and are reporting the findings as follows:

The press reports and radio broadcast on Sichuan No 1 Textile Mill's "evasion of some 2.4 million yuan's income tax" caused great concern among the leaders of the Sichuan Provincial Party Committee and the Provincial People's Government. Besides sending investigation groups to the mill, they also held many meetings with the comrades of the finance, tax, industry, foreign trade and discipline inspection departments with a view to getting to the bottom of the matter and listening to the views voiced in various quarters. After more than half a month, the situation was clarified.

The facts were as follows: On checking the books of Sichuan No 1 Textile Mill in August 1980, the comrades of Chengdu tax department discovered three items in the accounts that violated the financial and economic regulations: First, in May 1980, the profits were reduced by 427,000 yuan through a fictitious increase of production costs. An entry of "increased production cost" was actually made in the book by the accountant. The second item was about the substitution of low-priced 25-millimeter for high-priced 36-millimeter chemical fibers since February 1980. Thus from February to July, the production cost was falsely increased by 2,437,000 yuan. However, besides being clearly shown in the "advance expenses" account, this amount was

also included in the monthly financial report submitted to the leading organ. The third item was connected with a "compensatory trade agreement" signed by this textile mill with the Huahui Company of Hong Kong, and approved by the Sichuan Provincial Planning Committee, the Sichuan Provincial Textile Industry Bureau and the Sichuan Branch of the China Textile Products Import and Export Company in January 1980. The mill held that because of the nature of compensatory trade, a credit balance of 751,000 yuan was first included in the suspense account and later transferred to the enterprise funds. The finance and tax departments contended that this amount had nothing to do with compensatory trade, and the balance should be handed over to the state.

The responsible persons of the mill's finance department and the leading comrades of the mill have already explained to the comrades of the municipal finance and tax departments about the actual causes of the fictitious increases of production costs, and accepted their criticism. Since August, the first and second items have been corrected with a "reversed entry." As to the third item, the comrades of the mill were unwilling to hand over the 751,000 yuan to the state on the ground that it is under the category of compensatory trade as stipulated in the agreement and in the documents of approval from the higher authorities. The comrades of the municipal finance and tax departments had to approach the provincial finance bureau for instruction. The reply they received was to the effect that they had to request instructions directly from the Ministry of Finance. In late November 1980, the Ministry of Finance commented in its reply that this was not a case of compensatory trade, although the mill still held a different view.

After investigations from various quarters and a meeting of the responsible persons of the departments concerned, held by the Provincial People's Government, it was held that the Sichuan No 1 Textile Mill's fictitious increase of cost price was a violation of financial and economic disciplines, and therefore an error. This error was corrected as soon as it was pointed out after the investigation, (in June, even before the investigations by the higher authorities started, the mill had already corrected a similar entry, made in April, on its own initiative) and the offence of tax evasion has not been actually committed. The third item was not considered part of the compensatory trade. However, according to the agreement and documents of approval from the Provincial Textile Industry Bureau and the Sichuan Branch of the China Textile Products Import and Export Company, it was clearly stipulated as compensatory trade. The wording of the document from the Provincial Planning Committee was very ambiguous; therefore, the departments concerned at the higher levels should also share the responsibility. The differing view taken by the Sichuan No 1 Textile Mill is understandable; but its action in transferring the amount to the enterprise funds before the controversy ended is certainly unjustifiable. It should have handed over part of the 751,000 yuan to the state at the stipulated ratio. (The amount was handed over in December 1980.)

There is no correlation between this incident in the Sichuan No 1 Textile Mill and the system of "taking responsibility for its own profits and losses." Experience over the past year in the experiment has proved that the orientation of this system is correct, and its economic results are excellent. Yet, some irregularities in the financial and accounting system of this mill have been revealed. We hope the mill will take a lesson from this incident, thoroughly consolidate and strengthen its financial and accounting system, strictly abide by the state's financial and economic

disciplines, and correctly handle the relationship between the interests of the state and those of the enterprise. It must at all times give priority to the interests of the state, make the experiment of "taking responsibility for profits and losses" an even greater success and strive to contribute more to the four modernizations.

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CSO: 4006

ENERGY

CONSTRUCTION OF NUCLEAR POWER STATION BEING PLANNED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 7, 18 Feb 81 p 10

[Article by JINGJI DAOBAO correspondent Yang Weide [2799 0251 1795]: "Construction of Nuclear Power Station in China as Revealed by Director Jin Shiqu [6855 1395 4709] of the Nuclear Power Bureau of the Ministry of Electric Power Industry"]

[Text] The correspondent recently called on Director Jin Shiqu of the Nuclear Power Bureau of the Ministry of Electric Power Industry concerning the development of nuclear power in our country. According to his statement, our country is now seriously studying the policy of developing nuclear power as a solution to the problem of energy shortage in some regions.

China has rich resources of coal and hydropower, but they are not evenly distributed. More than 60 percent of the coal resources are spread out in North China, while more than 70 percent of the hydropower resources are in the Southwest. Thus in areas with insufficient coal and hydropower resources, the shortage of electric power and the strain on transportation facilities are keenly felt. This situation is particularly serious in Guangdong, East China and the Northeastern regions.

Guangdong is close to Hong Kong and Macao, and is one of the important import and export bases in China. Because of the prolonged shortage of electricity in the past several years, it has been able to supply only approximately 70 percent of the electric power required for industrial production, and the shortage has produced unfavorable effects on industry. To meet the need for electricity to a certain extent, it is already buying 1 million units daily from Hong Kong. Guangdong is short of coal, fuel and hydropower, and the increased transportation of coal is exerting a strong pressure on the communications and transportation system. Therefore, the construction of a nuclear power station seems justifiable.

Industry is concentrated in Jiangsu, Zhejiang, and Shanghai, the three provinces and one municipality of East China, where agricultural output is also high. In 1979, the total industrial output value amounted to 26.9 percent of that of the whole country, but the output of coal was only 4.3 percent, and hydropower was only 1.6 percent of the national output, while 47 percent of the required energy had to be brought in from other regions. Therefore, the use of nuclear energy as a supplement seems to be in order.

The Northeast Region is an important industrial base of our country. There has been an uninterrupted shortage of electric power in this region for 11 years. The use of thermopower for the solution of the power problem will exert a very strong pressure on the transportation system. Therefore, the feasibility of setting up a nuclear power station here should also be considered.

Director Jin said that in the past year, the Electric Power Bureau of Guangdong Province and the Hong Kong authorities concerned studied the question of a joint venture for setting up two 1-million-kilowatt nuclear power stations. Thanks to the combined efforts of Chinese, American and British experts, the report on the possibility of building nuclear power plants through a joint venture has now been basically completed and will be forwarded to the units concerned for examination and deliberation, and further action.

He felt that in developing nuclear power, our country should take full advantage of the existing favorable international conditions and appropriately import the required advanced technology and equipment. At present, some countries manufacturing nuclear power equipment have expressed their willingness to sell their equipment and pass on their technology to our country. Not long ago, the governments of China and France agreed in principle on the question of China's importation of complete sets of equipment for nuclear power plants from France and the question of strengthening technological cooperation. The electric power departments in our country will actively cooperate with the departments concerned and proceed with the construction of the first nuclear power station in China.

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ENERGY

SICHUAN TO DRILL FEWER OIL WELLS, EXPLOIT NATURAL GAS

Chengdu SICHUAN RIBAO in Chinese 16 Feb 81 p 1

[Article by Zhao Dexi [6392 1795 0823]: "Sichuan Petroleum Department To Drill Fewer Oil Wells and Exploit More Natural Gas"]

[Text] The Sichuan Petroleum Administration Bureau, resolutely implementing the policy of readjustment, has decided to drill 10 fewer oil wells and reduce drilling footage by 60,000 meters in 1981 compared with 1980, representing a decrease of 10 and 20 percent respectively. This decision was arrived at after serious study at a bureau prospecting conference held recently. With a view to using the limited amount of state funds to find new natural gas deposits, transform old gasfields, and tap their potential, thereby ensuring fulfillment of state production targets and increasing the reserves of natural gas, the prospecting conference summed up 1980 prospecting work experience and lessons and came to realize further the need to change their guiding thought, which had been simply to drill the projected number of wells and to fulfill the drilling footage target without regard to economic results. The conference worked out a prospecting policy: effectively raise the rate of successful prospecting for oil and gas in order to meet the needs arising from the readjustment of the national economy.

In addition, the bureau checked up on the capital construction projects now in progress and reexamined and approved capital construction projects to be built. The bureau decided to curtail 12 projects, among them the Chengdu bit plant, the Congqing Cement Plant, and the Qinglongchang prefabricated components plant. Some of these projects are necessary for production and construction purposes as far as the bureau is concerned. But taking account of the overall interests of the whole nation, the bureau resolutely scrapped or deferred these 12 projects, thereby cutting capital investments by more than 120 million yuan.

9780

CSO: 4006

ENERGY

COUNTRY VIEWED AS UNLIKELY TO BE OIL EXPORTER IN 1980'S

HK170222 Hong Kong STANDARD in English 17 Mar 81 Business Standard Supplement p 1

[Article by Elizabeth Cheng]

[Text] Official figures for oil production in China were drastically overstated until recently, according to a German energy researcher, Wolfgang Bartke.

Speaking at a petroleum news conference yesterday on Hong Kong and the energy development of southern China, Mr Bartke, a research fellow of the Institute of Asian Affairs in Hamburg, said there were serious inconsistencies in published oil statistics from China which led him to conclude that the figures were wildly exaggerated.

Mr Bartke and a number of other speakers at the conference believe that figures on oil production in China for the next few years will show a steady decline while the Chinese Government attempts to improve on its data-gathering.

Mr Bartke dated the rigging game to the time of the late Premier Zhou Enlai who mentioned a production figure of 50 million tons for 1973 in his talks with the Japanese Foreign Minister Ohira. This figure has never appeared in the Chinese press, he noted.

At that time Japan had been discussing with the Soviet Union the construction of a pipeline from Tyumen to the Yellow Sea. China was known to have been unhappy with this idea.

"The fantastic growth in China's oil production from 20 million tons in 1979 [as received] (considered a reliable figure given by the late Chairman Mao Zedong) to 50 million tons in 1973 seemed so promising that Japan at once brought pipeline discussions with Moscow to an end," Mr Bartke noted.

Mr Zhou's figure should be taken as "political bait" which worked to China's benefit, he added.

The gang of four were believed to have continued this exaggeration with the result that subsequent estimates of China's annual oil production were inflated.

Mr Bartke believes that a more accurate figure was that suggested by the Hamburg Institute of Asian Affairs in 1977 that China could not reach 100 million tons until 1982.

Decline

The 1979 oil production figure given by China was 106.15 million tons which was 2 percent more than the previous year while figures given for 1980 show a decline to 105.91 million tons. This was a far cry from the years of "magnificent growth rates (averaging 20 percent per annum) allegedly achieved by the gang," said Mr Bartke, pointing out the inconsistencies.

"As to China's export capacity we have to cut short all estimates that this country will become an oil exporter worth mentioning. China with a population of 1 billion, up to the end of the 80's will remain hungry for her own oil production," he said.

While sharing the view that China's oil production and exports will see an appreciable decline in the next few years, Professor Vaclav Smil from the University of Manitoba expressed his doubts on the falsification of China's oil figures.

A celebrated figure in social research, Professor Smil contends that if the oil figures were wrong, then all other figures published by the Chinese Government on the country's economic activities, such as grain and steel production, would also be wrong. Statistics on these other activities are, however consistent with the general economic picture given, he said.

Professor Smil spoke yesterday on China's energy consumption and economic growth. He also participated in a panel discussion on the implications of China's oil statistics for export prospects.

Kim Woodard, a research associate at Hawaii's East-West Center, yesterday, also predicted in his paper, that China will never be a major oil exporter.

In his speech, Year of the Bear or Year of the Wildcat?, China's oil in the international context, Mr Woodard said China may not even reach the 500,000 to 800,000 barrels a day originally projected for exports in the late 1980's if current developments are any guide, or if offshore ventures fail to materialize.

Despite major snags in China's oil exploration and development program as a result of budget cuts by the Chinese Government, Mr Woodard believes that the government is under enormous pressure, not only to proceed with the offshore contracts, but to do so as quickly as feasible. The modernization program hinges on an accelerated program of offshore development, he said.

CSO: 4020

ENERGY

SICHUAN WORKS TO INCREASE COAL PRODUCTION

Chengdu SICHUAN RIBAO in Chinese 16 Feb 81 p 1

[Article by Fu En [0265 1869]: "Sichuan Mobilizes Forces for Rapid Increase in Coal Production"]

[Text] The provincial people's government held a coal production conference 14 February, mobilizing the whole province to take effective measures to increase coal production rapidly so as to meet the urgent needs arising from economic readjustment and the needs of the people's livelihood.

The conference was attended by the municipal mayors and prefectural commissioners in charge of industry and transportation, the chairmen of planning and economic committees, directors of bureaus of industries and coal, secretaries of party committees for major bureaus and coal mines along the transportation lines, bureau and mine chiefs, and responsible comrades of provincial departments and trade union councils. Ho Huojun [0149 6787 3514], secretary of the provincial party committee and vice governor, presided over the meeting; Vice Governor Meng Dongbo [1322 2639 3134] made a speech; and the director of the provincial coal bureau, Liu Tong [0491 0681], addressed the meeting.

Under the leadership of local party committees and governments, the broad masses of workers on the provincial front of coal production and construction continued last year to carry out the policy of readjustment. The imbalance between extraction and tunneling was redressed, the amount of unfinished tunneling footage dropped, tunneling footage increased, and production safety improved. Annual production of coal overfulfilled the state target 8.2 percent, thereby ensuring a supply of coal to meet the needs of industrial and agricultural production and the people's livelihood. Since the beginning of this year, the situation regarding coal production has generally improved. In January, major coal mines at Yongrong, Zhongliangshan, Jiayang, and Rongshan and many prefecture and county mines and brigade-commune coal mines fulfilled their production targets. Taking the province as a whole, however, fulfillment of coal production targets is not ideal, particularly in the case of major coal mines along transportation lines, where coal production falls below target.

The conference pointed out: Coal is the main energy source in Sichuan, accounting for more than 70 percent of total energy resources. If urgent measures are not

taken to step up coal output, it will be impossible to ensure economic readjustment and a steady progress of Sichuan's economy. Moreover, political stability will be adversely affected. February and March are the dry season when water and electricity will continue to drop, thermal powerplants will consume more coal, and all branches of industry will need more coal. These circumstances will bring into more striking relief the contradiction between supply and demand. Because of this, governments at all levels and the broad masses of workers on the coal front are called upon to raise their level of understanding, work hard, and step up coal output while readjusting the economy, fulfilling tunneling targets, and ensuring safety in production. Those bureaus and mines that have satisfactorily fulfilled their production targets this year should redouble their efforts and strive for increased output while carrying out readjustment. Those bureaus and mines which have not fulfilled their production targets satisfactorily should mobilize the masses to examine their production efforts, sum up experience and lessons, fulfill their unfulfilled tasks, and strive for fulfillment of the state targets for the first quarter.

With a view to a rapid increase in production, the conference urged the following:

- 1) Seriously study and implement the decision of the central work conference. In the course of studying and implementing the decision, mobilize and organize the masses to solve their thought, work, and production problems and to step up their output centered on economic readjustment. The party committees for bureaus and mines should, in the spirit of the directives of the central authorities, strengthen and improve party leadership in the operation of bureaus and mines, and seriously make bureau and mine chiefs assume responsibility under party leadership. Bureau and mine chiefs should assume responsibility with daring and courage, strengthen production organization and control, and tighten up discipline. All bureaus and mines should strengthen ideological-political work, bring the roles of trade unions and the YCL into play, launch socialist labor emulations in order to make contributions to the four modernizations, and ensure fulfillment of production and financial targets.
- 2) Leading cadres should go to major mines to help in their work. Leading cadres of the departments in charge of the coal industry should take the lead and organize a group of cadres to cover various bureaus and mines. Together with comrades at the bureaus and mines, these cadres should carry out investigation and research and solve problems. All bureaus and mines should organize leading cadres to go to the mines and the first line of production to organize and direct production. A policy of "safety first" should be carried out, the "three major rules of operation" should be strictly enforced, and production safety must be ensured.
- 3) Implement measures to aid the development of coal production. All municipalities, prefectures, bureaus, and mines should implement the three economic measures already transmitted from the provincial level to help the development of coal production. Funds must be used for the purposes intended, and should be used effectively to achieve economic results.
- 4) All branches of industry should work in cooperation to support coal production. Planning and materials departments should ensure a supply of the materials and equipment in general, and pitprops in particular, that are required for coal production. Railroad and transportation departments should continue to view coal as a major commodity and give it priority in transportation. The commerce, supply marketing, and grain departments should organize sources of goods and supply the means of subsistence according to provisions. Under the watchword of economy, petroleum companies should ensure the supply of gasoline required to transport the means of subsistence.

ENERGY

SICHUAN'S MAJOR COAL MINES BEGIN TO INCREASE PRODUCTION

Chengdu SICHUAN RIBAO in Chinese 6 Mar 81 p 1

[Article by Liu Zhien [0491 1807 1869] and Deng Rui [6772 6904]: "Major Coal Mines Along Transportation Lines Begin To Increase Production"]

[Text] The broad masses of workers on the coal front in our province have implemented the decisions of the provincial government's telephone conference. Getting a clear understanding of the situation, and taking account of overall interests, they did everything possible, in the course of readjustment, to step up coal production to meet the needs of industrial and agricultural production and of the people's livelihood. Average daily output of raw coal from the major coal mines across the province was up 15.8 percent in the second half of February compared with the first half, and monthly output was higher than in January. Tunneling footage overfulfilled the monthly target 8.1 percent--a 7.7-percent increase over January.

Following the telephone conference, the major bureaus and mines along the transportation lines held conferences to transmit and implement the decisions made in the provincial telephone conference. The bureaus and mines organized leading government functionaries to mobilize and organize the masses and to direct mine operations. They helped the grass-roots levels to solve problems to the satisfaction of all. Together with mine cadres, the leaders and cadres from the Furong Mining Bureau grasped the weak links while mobilizing the masses, and ensured face replacement and safety measures. Beginning 16 February, the bureau overfulfilled by 6.3 percent the production target for the second half of the month and made up what had been unfulfilled in the first half-month, thereby ensuring fulfillment of the monthly target. Nine working groups formed by the Kuangwang Mining Bureau's leading cadres, vocational cadres, engineers, and technicians proceeded to various mines to mobilize the masses to solve production problems in a down-to-earth manner. Production developed fast. One thousand more tons of raw coal were produced daily in the second half of February than in the first half. The Yongrong Mining Bureau implemented the mining plans down to the team or group level, firmly grasped regular revolving operation, collected all coal on the face, and organized conditional overfulfillment of mine production targets so that high output could make up for the [previous] low output. The bureau overfulfilled the February production target 5.4 percent.

Chongqing Municipality and Mianyang, Yibin, Jiangjin, Daxian, Nanchong, Leshan, and Neijiang prefectures vigorously aided the development of coal production in diversified forms. Two deputy mayors of Chongqing Municipality presided over a conference of leading cadres from the departments concerned to study how to implement the measures for coal production development. Some 16 leading comrades and government functionaries from the municipal economic committee, planning committee, finance office, and departments of commerce and the coal industry were organized to implement the measures designed to solve problems. All the major coal mines in the municipality overfulfilled their production targets every day after 21 February. The supply of coal to meet the needs of industrial and agricultural production and the people's livelihood began to take a turn for the better, and the coal stocks in powerplants showed an increase. Jiangjin Prefecture organized coal mines near the Chengdu-Chongqing rail line to overfulfill their production targets. While ensuring fulfillment of their contract targets, these coal mines supplied more coal over and above their quotas to the powerplants, to the satisfaction of coal users.

The provincial economic committee, coal bureau, labor reform bureau, and bureau of brigade-commune enterprises, taking coal production as the focal point of their present work, sent leading cadres to organize groups to work in various coal mines. Five working groups led by bureau and section cadres proceeded to the Chongqing and Jiangjin areas and to the Furong and Guangwang mining bureaus to conduct investigation and research, and helped the bureaus and mines in their work. The working group sent to the Furong Mining Bureau, together with comrades at the grassroots level, mobilized the masses, proceeded with ideological-political work, strengthened production management and command, and helped to implement the safety and technical measures. They studied the problem of competing for resources between large and small coal mines and problems of land requisition, environmental pollution, production, and means of subsistence, and took measures to solve them properly.

The provincial departments of finance, commerce, grain, railroads, and posts and telecommunications also took measures to support coal production. The department of commerce helped the coal mines to solve the problem of setting up a commercial network and supplying nonstaple foods, vegetables, and gasoline to coal mines. The Chengdu Railroad Bureau took coal transportation as the focal point of operation and dispatched rolling stock in a flexible manner so as to rush the transport of coal to the satisfaction of users.

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CSO: 4006

ENERGY

BRIEFS

QINGHAI SOLAR PROJECT--Xining, 21 Mar (XINHUA)--A solar-powered post and telecommunications office building in northeast Qinghai Province has been hailed as a success by specialists from the Provincial Scientific and Technical Commission and the Posts and Telecommunications Bureau. The brick and cement structure has a floor space of 130 square meters and its south wall is painted black and covered with glass. The sun heats the air between the wall and the glass, and the heated currents enter the building from holes at the top of the wall. The air circulates and returns through holes at the bottom. In the coldest January days, noted the specialists, temperature in the house is between 10 and 20 degrees centigrade. The building is equipped with silicon solar cells and a wind-driven electric generator. They supply between 80 and 100 watts of electricity. Qinghai has the richest resources of solar energy in China. The province is using solar energy for animal husbandry, agriculture and railway transport. The province has recently constructed a factory which produces solar stoves and heaters and another which manufactures appliances powered by silicon solar batteries, including flashlights, lamps and electric chargers. [Text] [Beijing XINHUA in English 0246 GMT 21 Mar 81]

CSO: 4020

INDUSTRY

BRIGADE, COMMUNE ENTERPRISE READJUSTMENT PAYS OFF

Harbin HEILONGJIANG RIBAO in Chinese 2 Jan 81 p 1

[Article by Zhang Zhizhong [1728 3112 0022]: "Gross Output Value of Brigade and Commune Enterprises Up Nearly 20 Percent"]

[Text] Brigade and commune enterprises in our province have continuously made progress after readjustment and rectification. At the end of 1980, gross output value is expected to reach 1.58 billion yuan--a 19-percent increase over the previous year.

On the principle of suiting local conditions, developing strong points, and avoiding weak points, brigade and commune enterprises in our province last year carried out readjustment on a large scale. In the case of planting and breeding involving fewer difficulties in supply and marketing, which can easily be organized by brigade and commune enterprises, the development was comparatively great and income was up more than 50 percent compared with the previous year. Processing of farm produce and byproducts made a breakthrough, with processing capacity greatly increased in the case of flax factories, starch and machine-made noodle factories, and feed-processing and winemaking factories. A coordinated process of production took shape in hops, san mei [0005 2734] and ginseng factories. With the building industry flourishing, the brigade and commune construction materials industry developed greatly. Output of bricks, tiles, sand and gravel, prefabricated parts, and light construction materials showed increases. Brigade and commune brick plants produced 3.5 billion red bricks--60 percent of the province's total output. There was an increase in the number of personnel employed for building projects, transportation services, rural collective commercial enterprises, and service trades. Their income was up between 30 and 100 percent during the year. The output of electricity, wooden furniture, oil and paint, and dairy products urgently needed by the people for consumption was up more than 100 percent. In the case of those enterprises like the machining industry which lacked materials, had a limited market, or lost money, investments either were reduced or were suspended for the time being.

A system of "five fixes and one award" was popularized in the course of readjustment. Some enterprises introduced all-round quality control, gradually improved the quality of their products, and increased their ability to complete. Seven products, among them quartz clocks, testing instruments, and bone glue, joined the ranks of fine-quality products in the province. The quality of more than 30 products, including red bricks, white wine and milk powder, improved and the cost was markedly lower.

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CSO: 4006

CONSTRUCTION

DIRECTOR OF SHANDONG CONSTRUCTION MATERIAL BUREAU INTERVIEWED

Hong Kong JINGJI DAORAO [ECONOMIC REPORTER] in Chinese No 7, 18 Feb 81 p 8

[Interview: "Development of Construction Material Industry in Shandong Province and the Prospects of Foreign Cooperation—Director Li Xiping [2621 1585 1627] of Shandong Construction Material Bureau Answers Questions From Our Correspondent"]

[Text] Shandong is one of those provinces in China with a rapidly developing construction material industry with many varieties of these materials spread out over a wide area. Following the development of this industry and the expansion of its foreign trade, an increasing number of overseas factories and traders have visited the province for business discussions and technological cooperation. Our correspondent recently called on Director Li Xiping of the Shandong Construction Material Bureau concerning the prospects of the development of this industry in the province and cooperation with foreign countries.

Question: How are the resources of construction materials in Shandong Province?

Answer: Shandong Province is located in the lower reaches of Huanghe River and has a total area of 150,000 square kilometers, with rich resources of construction materials and nonmetal products of many varieties widely spread out. Limestones used for making cement can be found in many places in the province. According to a survey on only 19 counties and municipalities, some 230 million tons of limestone deposits have been verified. In Yantai Prefecture and Zibo Municipality, there are huge deposits of fine quality glass-sands and quartzites. Once extracted, they can be directly used for making plate glass. In the Xukou Silica Quarry of Rongcheng County alone, there are 9.7 million tons of mineral deposits which can be used for industrial purposes.

In the vast areas of eastern Shandong, the North Alluvial Plain and the Liaolu Plain are rich clay resources; in the six prefectures and municipalities and 23 counties along both sides of the Huanghe River, there are huge accumulations of silt brought down by the river; near the coal mining sites in the six prefectures and municipalities, there are hundreds of millions of tons of gangue; and there are also the waste residues discharged by the factories in the cities. These residues have become an inexhaustible source of construction materials for building walls and roofs.

There are also huge quantities and numerous varieties of fine quality nonmetallic mineral deposits in the central-southern part of the province and in Jiaodong Peninsula. In the mountainous region of Yimeng, large diamonds can be found. In Yantai and Changwei Prefectures, the deposits of pure graphite amount to more than 10 million tons, and in Laixi County alone, a pure graphite deposit of 5.3 million tons has been verified. In Jiaodong, there are large deposits of Dali marble, and in Yexian County alone, some 8.24 million cubic meters of Dali marble deposits have been verified. The deposits of granite are even larger. In Dazeshan Mountain of Pingdu County, Hushan Mountain of Wendeng County and Lushan Mountain in the suburbs of Jinan Municipality, for example, signs of granite deposits can even be seen on the ground surface, and their extraction should be very simple. The talcum deposits which are spread out over more than 10 counties are one of the three main sources of talcum in our country. In the mines of Yexian County, Haiyang County, Xixia County and Pingdu County alone, deposits totaling 13.3 million tons have been verified. There are also very rich resources of quartz, feldspar, gypsum, fluorite, barite, porphyry and pearlite. At present, more than 380 different types of nonmetallic mines have been discovered in the province.

Question: How is the construction material industry getting on in Shandong Province?

Answer: Shandong Province has a large area with abundant resources and a large population. Before liberation, there was hardly any construction material industry to speak of. At that time, along the Kaodong-Jinan Railway, there were only one cement factory with an annual output of 15 million tons and several small construction material factories mainly relying on manual labor. In 1949, the total industrial output value in the province was less than 3 million yuan.

Since the founding of New China, the local resources, manpower and energy throughout the province were fully utilized, and the construction material industry was vigorously developed with state investments and locally raised funds. There are now more than 2,800 construction material plants distributed among various communes throughout the province and 365 construction material enterprises run by the province, prefectures and counties, with a total of some 100,000 workers and staff members and a total output value of nearly 1 billion yuan. In the province, 85 percent of all the counties and municipalities have established their own cement plants, each with an annual output of 5 million tons. The cement factories producing 50 percent of the total output are located along railway lines, and transportation in and outside the province is convenient. Brick and tile factories have been built all over the province, and nearly all communes have such factories of their own. The total amount of bricks and tiles in the province has exceeded 10 billion pieces. These factories are using locally available raw materials for production. Near the sources of glass sands, for example, five small glass factories have been built, each with an annual output of 1.5 billion standard crates of plate glass. The production of these materials has provided a solid foundation for the acceleration of industrial and agricultural capital construction as well as for housing projects in the urban and rural areas. In the past 30 years and more, nonmetallic mineral production has also been rapidly developed. By now, more than 20 different mineral products including graphite scales, talcum, Dali marble, granite, magnesite, barite and fluorite, have been extracted by more than 30

production and processing enterprises. The output value of nonmetal products here is the highest in the trade throughout the country.

Question: What are the plans for developing the construction material industry in Shandong Province?

Answer: The construction material departments of Shandong Province are determined to implement the general policy for the four modernizations of the country by giving full play to the strong points and favorable conditions of local resources, enterprises, manpower and technology, and to develop extensive economic cooperation with other places at home and abroad in order to promote the construction material industry. Our general plan is to approximately double the output of cement and plate glass, the two main items of construction materials, in the province by 1990. At the same time, we will make full use of industrial waste residues for accelerating the development of new construction materials in the cities. By 1990, approximately 60 percent of the new houses in the key cities will be built of new materials which are of light weight but great strength. There will also be continued development of nonmetallic mineral products. We plan to further expand our foreign trade in the 1980's to the extent that our future export of construction materials and nonmetal products will be increased approximately 3-fold. We also welcome more extensive technical and economic cooperation with overseas factories and traders.

Question: Please tell me about the foreign trade for construction materials of Shandong Province and the prospects of cooperation with foreign countries.

Answer: At present, the supply of construction materials of Shandong Province is not limited to various parts of the country; in fact, 16 different nonmetal products are being sold to more than 50 countries and regions far away in the world. The graphite scales produced in Laixi County, Pingdu County, Wendeng County, Muping County and Haiyang County; the "snow-white" and "Laiyang green" Dali marble of Yexian County; the "Taishan-green" granite of Jinan; the magnesite, forged at a temperature of 800-950 degrees centigrade, of Yexian County; the fine quality talcum of Pingdu County, Xixia County and Haiyang County; the ceramic tiles of Zibo Municipality; the barite and fluorite of Central-Southern Shandong; the pebbles and flints of Changshan County; and the terrazzo and asbestos of Qingdao are all well received by overseas traders.

With the development of foreign trade, our bureau is now in a position to hold direct talks with overseas factories and traders on trade and cooperation. In the past 2 years, we held meetings with scores of guest-traders from various parts of the world and signed a number of technical cooperation and trade agreements. Hereafter, we will welcome the opportunity of establishing more extensive and closer cooperation with overseas factories and traders according to the customary international practice and in the form of trade cooperation. We will also welcome the opportunity to produce more graphite products, to purify talcum, and to undertake the complete processing of Dali marble and granite in the form of compensatory trade or joint venture. At the same time, we envisage the use of foreign funds to set up large cement and plate glass factories in locations where materials resources are abundant and energy resources can be assured.

With its rich material resources of construction materials and nonmetallic mineral products of many different varieties, Shandong Province enjoys good prospects of foreign trade and economic and technical cooperation with overseas factories and traders.

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CSO: 4006

DOMESTIC TRADE

A SAMPLING OF VIEWS ON PRICE REFORM GIVEN

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] No 2, 15 Feb 81 pp 12-14

["Restructuring of Administrative System Forum" Article: "Different Views on Price Reform"]

[Text] For a long time, there have been in our country many problems with the system of price control. This system must be reformed. At present, provided that commodity prices have been basically stabilized, an in-depth study of the methods of price reform and of preparations for an overall reform in future has become a matter of concern for many people. Below is a concise presentation of the relevant materials for study and reference by people of all walks of life.

I. The Necessity of Price Reform

Most comrades felt that the price structure in our country is far from rational, because of the over-centralized and over-rigid system of price control. As a result, the prices of many commodities have for a long time deviated from their value and the price parity among various categories of products has also become irrational. This is disadvantageous to the harmonious development of the national economy and not conducive to an accurate assessment of the level of business management of the enterprises and the extent of their contributions to the state. Therefore, price reform is extremely necessary.

Some comrades have pointed out some new conditions and new problems in pricing at present. The examples are as follows: 1. Since the adoption in the system of profit-sharing by the enterprises, the advantages and disadvantages to different enterprises have become more uneven as a result of irrational pricing. 2. Many enterprises have joined the scramble of producing profitable and high-price goods instead of low-price goods with a small profit margin. Thus the goods in excessive supply cannot be reduced and the goods in short supply cannot be increased. Moreover, the enterprises have no incentive to produce according to market needs, or to compete with one another because of their lack of power over price-setting. 3. After stressing the need to bring into play the strong points and to steer away from the weaknesses as an encouragement for every unit to do its best, there is the question of price-setting for places where production is centralized or decentralized. 4. Along with the increase of international contacts, the principles and methods of price control for tourism, compensatory trade, and import and export in foreign trade should be studied and worked out.

Many comrades held that price reform should include the following four aspects:

(1) Replace the present irrational price structure with a rational one. (2) Uphold the principle of "unified leadership and differentiated administration," expand the administrative power of the localities, give the enterprises certain authority in setting their own prices, and reform the system of over-rigid and over-centralized price control. (3) Replace the single form of planned price with a diversified form of state price, flexible price, negotiated price and country-fair trade price. (4) Establish and perfect a legal system of pricing. Some comrades even proposed that the reform should also apply to the principles behind the setting of prices or the working out of regional differentials, qualitative differentials and so forth.

Reform of the price structure has a very important bearing on the national economy and the people's livelihood, and the change of prices of consumer goods, in particular, directly affects people's living conditions. Therefore, any study of the price question should proceed from the immediate interests of the broad masses of people. As to the method of handling the relationship between price reform and the stability of the people's livelihood, many comrades held that it would be permissible to begin with a rational readjustment of the prices of the means of production. As to the prices of consumer goods, however, a basic stability should be maintained for the sake of stability and unity.

Price reform is an important component of the entire economic reform. Therefore, we must first consider the overall situation and the need to reform the entire economy, and then conduct a comprehensive study on tax, credit and other reforms in order that these reforms can be well coordinated and carried out smoothly in various quarters.

II. On Reforming the System of Price Control

Commodity prices must be controlled under the socialist system. However, the control cannot be over-rigid. We should observe the principle of giving full play to the regulative role of the market under the guidance of planning, and practice "unified leadership and differential administration." We should expand the localities' administrative power and let the enterprises have certain power of price-setting. This will help in the planned and proportionate development of the national economy and enliven both production and the market.

To whom should the administrative power be delegated at the lower levels? Some comrades held that under the socialist system, enterprises are relatively independent economic accounting units, and provided they pay their taxes and hand over their profits to the state, their right of possession over their products should be recognized. In theory, therefore, the enterprises should have certain power in setting their own prices. This power is precisely a concrete embodiment of their right of possession in the sphere of circulation. Some comrades are of the opinion that the power of price control with administrative methods should be mainly delegated to the localities, which the power of price control with economic methods should be delegated mainly to the enterprises. These powers should not be exclusively exercised by the central authorities. Since the comprehensive price department exercises both central and local powers, it is in a better position to strike an overall balance and give due consideration to the interests of the producers, the business units and the consumers. Some comrades even held that apart from certain power of price-setting in the hands of the enterprises, more administrative power should be given to the professional departments in charge, because many products call for

high technology and serialized production. Thus the change of price for one product usually involves many other products and it is usually inconvenient for the localities to exercise their control. As a tentative measure, it may be advisable for locally produced and locally sold products to be controlled by the localities while the control over products for national circulation can be delegated to the localities only when conditions are ripe.

Some comrades stressed that the power of setting prices should be delegated to different units according to different forms of prices and conditions of supply and demand. For example, in the case of minor industrial commodities which are subject to negotiated purchases and sales, the power of price-setting can be delegated to the production units or business units practicing independent business accounting. In the case of commodities with flexible prices, the power of price-setting can be mostly and temporarily delegated to the companies, and in the case of commodities with no strong impact on the national economy and the people's livelihood, and the supply of these commodities are in excess of, or basically equal to the demand, the power of price-setting can be delegated to the producing units or business units.

III. On the Relationship Between Price Stability and Price Readjustment

Many comrades pointed out that stabilization of commodity prices means mainly maintaining the general stability of prices, particularly the basic stability of the prices of the essential consumer goods, and the prevention of severe fluctuations. But stabilization does not mean freezing. Frequent adjustments are necessary, and failure to make adjustments over a long period will mean the accumulation of the elements of instability. Minor adjustments constantly carried out in a planned way will on the other hand obviate the need for a forced major adjustment. The present instability of commodity prices in the market is not caused by our pricing, but rather by the imbalance of the national economy. To preserve the basic stability of commodities in the market, it is necessary to give financial subsidies to the departments dealing with people's daily necessities, and such subsidies, instead of being a burden, should be considered essential in working out a financial balance. Of course, this problem cannot be left unsolved over a long period. When conditions are ripe, it can be gradually solved by giving the workers price subsidies or through an overall readjustment of wages. Regardless of the methods used, we should be cautious in adjusting the prices of people's daily necessities, and must be sure that the standard of living for the vast majority of workers will not be lowered.

How can the commodity prices be called basically stable? Some comrades held that the fluctuation of the general retail price index should be confined within a range of 1-3 percent, while others held that it should be about 1 percent, because 3 percent is too much to be called basically stable.

IV. Prices of Capital Goods to be Adjusted as Soon as Due Preparations Are Completed

Many comrades held that in promoting the national economic development, the prices of heavy industrial products, particularly raw and semi-finished material and fuel, should be drastically and comprehensively adjusted as soon as possible and that the prices should be raised or lowered according to different varieties. We should understand that adjustment of the prices of heavy industrial products is mainly a form of profit distribution within the system of ownership by the whole people and such adjustment does not seriously affect market prices. If it does affect at all,

the problem can be solved by the grant of financial subsidies. Based on our observation of foreign experiences, the adjustment of prices of heavy industrial products is an important aspect of economic reform, and should be considered before other reforms. We can first adjust the commodity prices in the basic industry, the energy industry, in the mines and transportation units before the prices of commodities in the processing industry. The adjustment of prices for heavy industrial products should be treated as an important aspect of the current national economic readjustment, and as an important measure in further consolidating and expanding the decision-making power of the enterprises. To promote energy conservation, we should not reduce the prices of petroleum products, and some of these prices may even be suitably raised. The excessive profits thus gained can be returned to the state in the form of taxes.

V. On the Basis for Price-Setting

1. The criterion for price-setting. Many comrades held that under the socialist system, price-setting in a planned way should be based on the value and guided by policies and appropriate considerations of the relationship between supply and demand. Some comrades even held that the effects of prices in the international market should also be taken into account. Since the prices of the majority of commodities should generally correspond to their value, a medium cost price under normal production and rational business conditions should be used as the criterion for price-setting. For a small number of commodities, price-setting may be based on demand and there may be some deviation from their value. But this deviation cannot be excessive or prolonged. The role of taxes should be given play in price-setting.

Some comrades held that commodity prices generally correspond to the value only in the lower stage of commodity exchange, and that since we have already passed this stage, deviation of the prices of many commodities from the law of value is now our problem. After the reform, these prices should conform to the law of value. Then it will be able to (1) promote reproduction and expanded reproduction in various departments and (2) promote the national economic development in a planned and proportionate way.

2. The type of profit rate to be used for price-setting. The vast majority of comrades held that in view of the serious irrationality of pricing and the differences of profit rates among various trades and professions, there should be a uniform basis for price-setting in order that all trades and professions will have a generally balanced, or approximately balanced profit level. But opinions differ as to which type of profit rate to use. Some comrades prefer a profit rate based on an average capital fund; others liked to have it based on the production cost; and still others like to have it based mainly on production cost with, however, full consideration of the profit rates based on capital fund and wage fund, in order that the economic benefits for different departments will receive due consideration. Those preferring to have the profit rate based on the average capital funds contended that from the standpoint of economic business accounting and better utilization of capital funds, the use of average capital funds as the basis of profit rate can more accurately reflect on the enterprises' contribution to the society. The basis of opposition against this view in the past was that under socialist economy, there was no competition or the free transfer of funds, and, therefore, the conditions for price-setting did not exist. This opposition is now no longer valid. The state is encouraging and protecting competition among different enterprises and

departments, while funds can be transferred among different enterprises and departments producing different goods (through trans-departmental investments, joint undertakings, integrated undertakings, and so forth). This will certainly promote the transformation of value to the prices of production.

3. The question of price-setting for agricultural and mineral products. The question as to whether the differentials of income (differential rent) should be taken into consideration in price-setting for agricultural and mineral goods; the question of prices of agricultural products in areas of centralized or decentralized production; the question of unified or differentiated pricing for mineral products, and so forth should all be studied.

VI. On Reducing the "Scissor Difference" in the Exchange Prices of Industrial and Agricultural Products

Some comrades held that for a fairly long time to come, a "rational scissor difference" should be preserved. Therefore, the use of agricultural tax and price as the means of providing accumulation for the state is not only necessary but also acceptable to the peasants. However, the "scissor difference" must be rational and conform to these criteria: First, agricultural income must at least be sufficient to compensate the expenses of agriculture production (including the labor involved); and secondly, under normal conditions, the peasants' income should be increased every year.

The majority of comrades held that the "scissor difference" is itself irrational, since it stands for exchange of industrial and agricultural products on unequal terms. Therefore, the term "rational scissor difference" is unscientific. The "scissor difference" must be gradually reduced and finally eliminated. However, it cannot be immediately eliminated yet. This has to wait until the economy has been developed and the state's financial resources have been strengthened.

The question of method for reducing the "scissor difference." Some comrades held that the best method is to raise agricultural labor productivity. For a long time to come, however, the growth of agricultural labor productivity will be behind that of industrial labor productivity. Therefore, for the next 1 or 2 decades, the "scissor difference" should be reduced mainly by raising the procurement prices of agricultural products.

Some comrades held that in the next 3 or 5 years, we have to mainly rely on raising agricultural labor productivity as a means of reducing the "scissor difference," since the state does not have the required financial resources for any large-scale increase of the procurement prices of agricultural products.

(This article is based on relevant materials compiled)

DOMESTIC TRADE

SALES BONUSES, REBATES THWART INTERESTS OF CONSUMERS

Beijing RENMIN RIBAO in Chinese 13 Feb 81 p 2

[Article by Zhang Jianshe [1728 1496 6080] and Cui Chengzhu [1508 2052 2691]:
"Put a Stop to 'Sales Promotion Bonuses'"]

[Text] Some commercial enterprises in Beijing Municipality accept and grant "sales promotion bonuses." In so doing, they scoop out state revenue and, instead of protecting competition, encouraging the advanced, and promoting readjustment, corrupt the minds of the workers.

In recent years, some enterprises have expanded the sales of their products by granting "sales promotion bonuses." From 2 to 5 percent is drawn as "sales promotion bonuses" from former factory prices of products. Most of the products carrying "sales promotion bonuses" are produced locally and are in excess of sales, and a few of them are articles of everyday use which are locally unsalable or unmarketable.

With "sales promotion bonuses" accepted by some commercial departments in Beijing Municipality, a new situation has arisen. Stores push sales of products that carry bonuses, while some locally produced products of the same kind which carry no "sales promotion bonuses" are kept waiting for sales a long time, though their quality is good. As a result, the quantity of products kept in stock by the wholesale departments and factories in the capital is increasing day by day. This shows that "sales promotion bonuses" have not protected competition, encouraged the advanced, or promoted the readjustment of enterprises.

"Sales promotion bonuses" accepted and granted by the commercial departments have corrupted the minds of the staff and workers. With a view to "sales promotion bonuses," some stores often carry on their economic activities according to whether more bonuses can be obtained. They will sell, and do so quickly, those products that carry bonuses, even if their quality is not as good. In this way, the principle of upholding the interests of the consumers is dissipated. Some buying and selling personnel often divide "sales promotion bonuses" in private between themselves. In short, "sales promotion bonuses" have opened the door to certain units and individuals who engage in bad practices for selfish ends and offer and accept bribes.

It is noteworthy that with more and more "sales promotion bonuses" earned by selling units, different branches of industry are placed in preponderantly different positions as far as bonuses are concerned. According to statistics of the Chaoyang Ward hardware and communications industrial equipment store, the Xisi communications industrial equipment store, and the Caishikou hardware store, 26,000 yuan in "sales promotion bonuses" were drawn from the amount of sales in October last year, averaging 52 yuan for each worker and 97 yuan at the highest--equivalent to the workers' average monthly wages. A number of staff and workers told us that the source of "sales promotion bonuses" deserves study. Actually the industrial enterprises resort to the improper practice of offering "rebate" to push sales. This practice of taking care of partial interests and not the overall interests is virtually one of scooping up state revenue. They are of the opinion that it is the normal business of enterprises to push sales of their overstocked goods, and that it is not justified to grant "sales promotion bonuses" in addition to and over and above overall bonuses. In view of this, we suggest that the departments concerned take effective measures to put a stop to the wrong practice of granting "sales promotion bonuses."

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CSO: 4006

DOMESTIC TRADE

COUNTRY FAIR TRADE THRIVING IN NINGXIA AREA

Yinchuan NINGXIA RIBAO in Chinese 4 Feb 81 p 1

[Article by Deng Xianzan [6772 5343 6363]: "Town and Country Fair Trade Thriving in Ningxia Area"]

[Text] Along with readjustment of the national economy and the further implementation of the party's economic policies for rural districts, town and country fair trade was never so good in our area as last year. Both purchases and sales were brisk at town and country fairs, thus expanding economic interflow, promoting the development of agricultural and sideline production, and serving the livelihood of the masses.

The volume of business reached 51.27 million yuan, topping the record level 200 to 300 percent. Urban fair trade accounted for 6.6 million yuan and rural fair trade 46.75 million yuan, both topping the 1979 level by more than 50 percent.

In terms of official prices, the volume of business at town and country fairs was equivalent to 4.79 percent of the total volume of retail sales in the whole area a year earlier. More than 200 assortments of goods were transacted at the fairs. At the Wuzhong fair, nearly 300 different goods were transacted and the volume of business exceeded that of the previous year. Compared with 1979, beef, mutton and pork transactions increased 42.1 percent and vegetable transactions 24.5 percent in 1980. The livestock market was livelier than ever before in our area, with 18,372 head of animals sold in Guyuan, Haiyuan, Xiji, Longde, Jinyuan, Tongxin, and Yanchi alone.

Market prices were steady and downward at town and country fairs last year, and the difference between market prices and official prices was narrowed down. Calculated on the basis of 50 major assortments of goods transacted at the fairs, the general level of market prices at the end of last year was down 1.3 percent compared with 1979, and the difference between market prices and official prices was 2-9 percent lower than in 1979. Compared with 1979, the price of rice per jin was down 8.6 percent, winter wheat 14.7 percent, edible vegetable oil 5.3 percent, and pork 15 percent in 1980. Prices of corn, mutton, eggs, chaff, dried dates, piglings, and lambs dropped in varying degrees, and the prices of some commodities were near or lower than official prices.

Town and country fairs have been expanded. Some service facilities and service personnel have been added at the fairs.

The industrial and commercial administrative departments at all levels in our area have tightened market controls, on the principle "Control the market without stifling it; revive it without throwing it into disorder." They have struck blows at speculative activities, and have protected the legitimate business of the masses.

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CSO: 4005

DOMESTIC TRADE

BRIEFS

HIGHER RECORD SALES--Beijing, 10 Mar (XINHUA)--More records were sold in China in 1980 than any time previously, announced the China Record Distribution Company. Last year 57 million were sold 3 times as many as 1977, with some long playing albums selling as many as 500,000. The China Record Distribution Company has tried, they said, to make records of rich, healthy and colorful music. Movie and television scores, light and orchestral music as well as Chinese folk music and songs have been the major products of the firm at spring festival last month, the company issued a set of 28 cassettes and distributed them in Beijing, Shanghai, Guangzhou and Fujian Province. This year, the company plans to increase its record production, double its number of cassettes and issue recordings of children's songs, Taiwan songs and the prize winners performed at the recent National Vocal Competition of Chinese Conservatories of Music. [Text] [Beijing XINHUA in English 0700 GMT 10 Mar 81]

CSO: 4020

FOREIGN TRADE

'HIGH-POWERED' ECONOMIC MISSION TO VISIT JAPAN

OW021025 Hong Kong AFP in English 0744 GMT 2 Apr 81

[Text] Beijing, April 2 (AFP)--A high-powered Chinese economic delegation will go to Japan next week to pave the way for future agreement to resolve bilateral trade disputes, reliable sources said here today.

The team to be led by the vice-chairman of the government commission for foreign investment control, Zhou Jiannan, will formulate an economic action plan that could be finalized during Vice-Premier Gu Mu's visit to Japan in the second half of this month.

Members are senior officials of several ministries and import-export corporations of sectors concerned by the cancellations of capital project contracts decided by Beijing recently.

They will hold talks with Japanese private firms affected by the cancellations of contracts under China's current economic retrenchment.

China has proposed to Japan a series of financing formulas, half-private and half-governmental, that would enable it to reverse its decision to cancel contracts with Japanese firms for the construction of projects in this country.

The formulas notably involve long-term low-interest loans from Japanese private banks which would receive aid from the Tokyo Government. If these negotiations fail, Japanese firms stand to lose 1,500 million dollars.

China said the financing formula, currently prepared with a Japanese team currently in China, would permit the continuation of some projects under construction, particularly three petrochemical complexes.

But it indicated that the Baoshan Steel Complex near Shanghai would be (?terminated). The Chinese team is to meet the management of the Japanese steel firm Shinnitetsu, which was to have completed the Baoshan complex.

The cancellation of capital projects under China's prolonged economic readjustment policy, has also affected West German and other (?European) firms.

CSO: 4020

FOREIGN TRADE

BRIEFS

ZHEJIANG TRADE PORT--March 11 (XINHUA)--Shenjiamen Port on the Zhoushan Islands, Zhejiang Province, was opened to foreign trade this month, according to an official of the Provincial Water Transport Department. The Zhoushan Islands are located off the northeast coast of Zhejiang Province. The new port includes four areas, one of which can accommodate 10,000-ton vessels. These islands are in one of China's best fishing grounds and Shenjiamen handles the transport of more fish than any other port in China. The official said that in addition to Shenjiamen Port, the anchorages on Luohua, Huangxing, Dachen and Dongtou Islands have begun delivery of live fish and other marine products for export. [Text] [Beijing XINHUA in English 1221 GMT 11 Mar 81]

LEASING COMPANY'S ESTABLISHMENT--Beijing, March 18 (XINHUA)--An agreement on the establishment of the China Leasing Company, which will lease various materials to Chinese and foreign customers, was signed here today by the China International Trust and Investment Corporation and the State Administration of Supplies. The leasing company will engage in leasing, re-leasing, rental of machinery, equipment and materials. It will also provide technical services and technical consultation for Chinese and foreign customers. In addition, the company will cooperate with overseas leasing companies in the form of joint operations or as agents. The representatives who signed the agreement today are Chen Shuzi, deputy general manager of the China International Trust and Investment Corporation and Li Hua, deputy director of the State Administration of Supplies. They are believed to be chairman and vice-chairman of the board of directors of the new company. Present on the signing ceremony were Rong Yiren, general manager of the CITIC and Li Kaixin, director of the SAS. [Text] [Beijing XINHUA in English 1253 GMT 18 Mar 81]

CSO: 4020

TRANSPORTATION

MECHANIZATION OF ROAD MAINTENANCE DISCUSSED

Beijing GONGLU [HIGHWAYS] in Chinese No 1, 25 Jan 81 pp 1-3

[Article by Liu Dayuan [0491 1129 0337] of the Highway Department, Shanxi Communications Bureau: "Discussions on the Modernization of Highways in China: Some Views on the Mechanization of Road Maintenance"]

[Text] Ever since Vice-Minister Pan Qi [3382 3825] proposed the initiation of discussions on the modernization of Chinese highways, there have been active thoughts on the highway front. The discussions are regarded as significant and should be continued in the hope of leading to deeper issues and concrete results.

Mechanization of road maintenance is an important component of highway modernization, and is the only way to go in road maintenance. After the Ministry of Communications advocated the mechanization of road maintenance, it has received overwhelming approval by the workers, and its earliest realization is urgently anticipated. Various provinces, prefectures and municipalities have done a lot of work on road maintenance in recent years; but on the whole the development is far from balanced. Take Shanxi as an example, great sums of money have been spent on the purchasing of machinery in the past decade. A fair amount of road maintenance machinery was purchased and built, and they did provide substantial, useful services. But so far the extent of mechanization on direct production is still very low, and the operations--especially the road maintenance works--are still relying on the backward manual labor. Considering the substantial price paid, the results are not very prominent. The main reason behind this situation is that we have yet to get the hang of these modern things; even though we have the intention of becoming actively modernized, we are not sure of how to achieve our goals. Thus, there is the definite necessity of exploring and investigating the guiding thoughts and directing policies of mechanization in the current discussion on highway modernization, so that the progress can be made under a clear and unified understanding of the directions. Based on this consideration, we now present the following suggestions and opinions. Our ideas may not be necessarily correct and we welcome your criticism and correction.

1. The Purposes of Mechanization

Clearly the first important question to answer is why do we want to mechanize? According to the work division in our society the central mission of our highway departments is to provide the best possible road condition with the least cost. Mechanization itself is not the goal, but rather it is the means to achieve this goal. If we do not understand this distinction, it is easy to confuse the means and the

goal and have the tendency to mechanize for the sake of mechanization. This would lead to inefficient and unwise practices that have only cosmetic value. We have learned our lessons in the past and we still should be very cautious and aware. Therefore, we must pay attention to economic effectiveness in our drive to mechanize, and this effectiveness must be realized in the actual practice of production. More specifically, we need to improve our efficiency and quality, reduce the costs and upgrade our working condition.

Naturally, any new practice is perfected gradually, and we should not be too demanding and critical in the initial stages of mechanization; however, the concept of economic effectiveness must be established from the very beginning. In the past we were used to eating out of the big pot, and now we are advocating economic accountability. We may not feel comfortable with the new practice, but economic accountability is essential.

China is a nation with a great pool of low cost labor; sometimes machines may cost more than manpower from a pure cost point of view, so we need to consider all aspects. Since cost is after all a key indicator of the economic effectiveness, the advisability of mechanization will be doubtful if we need to spend great amounts of investment and the cost for maintenance goes up greatly. Thus, under the current highway situation where the investment fund is inadequate and many engineering projects await undertaking, the rebuilding and improvement of highways will be adversely affected if too much money is spent on mechanization and repair maintenance.

II. Concerning the Extent of Mechanization

In the present stage the extent of mechanization in road maintenance should be based on the actual condition in China. At the present time, both the standard and quality of Chinese highways are fairly low, and, in comparison to high quality foreign highways, our load of maintenance work is relatively heavy. Not only do we have to maintain a great number of operations, there is also a heavy load of regular maintenance chores. Great amounts of manpower and material are used every year, and some primary operations badly need mechanization to replace manual labor. On the other hand, unlike those in foreign nations, the Chinese machinery industry so far has not been able to provide standard and decent road maintenance machinery to our highway departments, and not many of the machines we tried to build are economically practical. Our current road maintenance teams are generally high on age, low on education, stability, and mechanical expertise. These are the realities we are facing now.

Under such adverse conditions, attempts of an all-out mechanization may not be practical; we can only take actions that are commensurate with our ability and compatible with the local condition. Except in a few more advanced areas, we should have a policy of using mechanized, semi-mechanized and manual labor simultaneously with semi-mechanization as the main force. The priority of mechanization or semi-mechanization should be placed on those operations that are most labor-intensive, poorest in working condition and where mechanization would have the greatest effects in improving the work quality. As for the secondary and miscellaneous operations and where mechanization would not be economically feasible, manual should still be used in the short run.

not only uneconomical but also unworkable for any single profession to engage in "small and complete" operations. In other countries the machines needed by the highway departments are all provided by the road machinery industry. Recently, since the market regulation has taken effect in China, the machinery industry is looking for a market and has provided the condition for the highway departments to rely on the society in its mechanization movement. From now on the equipment which the society can or will provide should be purchased rather than built. In the short run, however, the machinery profession cannot satisfy all our needs; moreover, the highway departments now have some industrial basis, so we should do some innovative development and produce some equipment not yet available from the society. Whether purchasing or building our own, the equipment must have good quality and reliability, and be easy to operate and to service.

One important aspect in the mechanization effort is to maintain and use the available equipment well. The highway departments now have ample potential in machinery; the mechanization level will be noticeably increased by simply using the presently available machinery to their full potential. We should therefore make some reform in the areas of management, accounting, reward and punishment system and maintenance repair. Through testing results, a system of practical management experience should be consolidated and the latent potential of our present machinery should be exploited. If we ignore the management aspects of the mechanization drive, it is quite possible to waste more with more equipment.

V. Concerning the Maintenance System Reform

The organization of the current road maintenance system in China still bears a general resemblance to that used in the early days after the revolution. The basic production units are the track and the road team. This organization, established under the circumstances of dirt roads and manual labor, was found to be unsuitable after the development of black-top roads. It will be even less applicable with mechanization, and some corresponding reforms are called for. The answer to what type of reform should be made is to be found from the experience of test point results.

What are the optimum basic units in mechanized road maintenance, and how many kilometers should each basic unit maintain? Should these basic units be installed according to road length or according to area? All these need to be carefully determined based on the external condition and their benefits to production. For the province of Shanxi, our opinion is basically in favor of eliminating the track, or at most keeping only a few pivotal track teams, and using the maintenance section as the basic production unit. The division of maintenance section should be made to conform with the present status wherever possible, but the maintenance range should be reasonably adjusted independent of the administrative divisions. Each section should maintain at least 100 kilometers of road, and be allowed to determine its internal organization. Road maintenance machinery should be allocated according to sections, and the sections are given the power to decide their total equipment investment, what and how much equipment to buy and from whom it is to be bought. Fiscal accountability should be rigorously practiced and the economic efficiency of the machines should be evaluated according to the maintenance cost per year-kilometer. Machines can be requested with proper compensation and usage fees can be assessed according to the regulations. Based on the progress of mechanization, the maintenance crew can be gradually decreased. In the meantime, training should be strengthened

In the past, whenever mechanization was mentioned, it implied total mechanization regardless of major or minor operations. In the present stage this kind of guiding thoughts is harmful to our nation. China has a shortage of energy resources and a surplus of labor; from the viewpoints of energy conservation and employment and of the capability of the highway departments, it is not only appropriate but also necessary to promote some labor-intensive professions and, in the short term, semi-mechanized operations to keep some manual labor as well.

III. What Kind of Road-maintenance Machinery Should We Develop?

In carrying out mechanization programs, we first need machinery that is practically usable and economically feasible. The characteristics of road maintenance work are: outdoors operation, high mobility, variety of work and seasonable dependence. Since road maintenance machinery should be compatible with these factors, we believe it is easier to take the agriculture machinery approach; that is, primarily using medium- and small-size machines that can serve multiple purposes, and the principal machine should be compatible with auxiliary components.

We believe tractors are ideal principal machines for road maintenance; they can be used to haul material when hooked to a trailer, to spray water with a water tank, to haul oil with an oil tank, to spread with a spreader and to sweep with a sweeper. Their output can be used to power a variety of machinery and serve multiple purposes. We should make great efforts in developing auxiliary components around the tractor as the principal machine. This should serve the primary maintenance requirements; other types of machines are of course needed to complement its functions.

Surface maintenance is central to the road maintenance job, and surface machinery should receive a high priority. A system of well designed and practical machinery should be developed as soon as possible to perform the jobs of material pick up and transport, preheating, drying, mixing, spraying, spreading, pressing and the sweeping and recovery of sand. This system should be designed to be suitable for maintenance as well as for repair. By combining maintenance and minor repairs with medium and major repairs, the utility of the machinery can then be improved and the costs for road maintenance reduced.

In the past few years a number of road maintenance machines were developed by various local units; some have already been put to use and accumulated a fair amount of data to be used as evaluation and selection guides. We hope that the Ministry of Communications will consolidate these results and standardize the mature models.

IV. Concerning the Sources of Machinery

In our mechanization of road maintenance, where do we obtain the machinery? Should we rely on our own resources or rely on the society? Should we develop them independently or should we purchase them? In the present stage, we believe we should stand on our own two feet and insist on a policy that combines independent development and purchasing from the society, with the latter being the principal mode.

In the past, due to some external reasons, the highway departments have tried a self-sufficiency "build our own equipment" approach and unilaterally emphasized self-reliance. After the Third Plenary Session of the 11th Party Central Committee, we have come to realize that in the overall production of the socialistic system it is

to improve the quality of the staff, and salaries and benefits should also be appropriately increased. The validity of our subjective propositions described above needs to be confirmed by test site trials. All in all, one should be pragmatic on the system question and be aggressive as well as sure-footed. The production method must conform to the production force: one cannot walk fast wearing shoes that are too small or too large.

Finally, since the mechanization of road maintenance is still a new venture for China, its development will invariably encounter some complications. Here is where we need everyone's opinion to sort out the best route for this endeavor.

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CSO: 4006

GENERAL

SHANDONG'S ECONOMIC DEVELOPMENT, FOREIGN TRADE REVIEWED

Hong Kong JINGJI DAORAO [ECONOMIC REPORTER] in Chinese No 7, 18 Feb 81 pp 4-6

[Article by JINGJI DAORAO correspondent: "The Economic Development and the Opportunities for Foreign Economic Cooperation and Foreign Trade of Shandong Province—Written Before the Holding of the Shandong Export Commodity Fair in Hong Kong"]

[Text] The General Foreign Trade Company of Shandong Province and its 11 affiliated small import and export companies will jointly hold a Shandong Export Commodity Fair in Hong Kong on 21 February 1981. To help our readers know more about the economic developments in Shandong Province and the prospect of its foreign economic cooperation and foreign trade, we are giving a consolidated report on the first-hand materials, obtained by our correspondents in their recent interviews with the responsible persons of the Shandong Provincial People's Government, the Provincial Import and Export Administration Committee and the Provincial Foreign Trade Bureau, as follows. It can be used as reference material by people of the overseas industrial, commercial and trading circles.

Natural Resources in Shandong Province

Shandong Province is located in the eastern part of China and at the lower reach of Huanghe River. It has a population of 72 million and an area of 153,000 square kilometers with Jiaodong Peninsula in the east, the Taian-Linyi mountainous region in the central-south, and part of the northern plain of China in the northwest. The plains account for 55 percent, and the mountainous and hilly areas account for 35 percent of the total provincial area, while lakes occupy the rest. There are 110 million mu of cultivated land, which amounts to 47.7 percent of the total area, and a coastline of more than 3,000 kilometers with wide expanses of beaches along the coast.

Shandong is very rich in natural resources. Underground, there are scores of metal and nonmetal mines including coal, iron, aluminum, copper, gold, diamonds, graphite, gypsum, fluorite, Dali marble, granite, talcum and feldspar. Among them, the deposits of coal, petroleum, aluminum, gold and diamond rank very high in the country. Shengli Oilfield, China's second largest oilfield, is located in this province; the Yangzhou Coal Base, one of China's eight large coal bases, located in the southeastern part, is now under intensive construction; Jiaodong Peninsula is one of the largest gold producing bases of China; and the largest piece of diamond in the country, the "Changlin Diamond," also came from Shandong Province.

Shandong is located in the temperate zone. Its moist climate is suitable for the growth of many different crops including wheat, maize, paddy, millet, sorghum, beans, potatoes, cotton, peanuts, hemp, flue-cured tobacco, fresh and dried fruits, silkworm cocoon and so forth. Its animal husbandry, fishery and salt production are also fairly flourishing. In agriculture, the outputs of wheat, maize, cotton, peanuts, hemp, flue-cured tobacco, fruit and maritime products are the highest in the country. Among the agricultural sideline products are the apples of Yantai, pears of Laiyang, the peaches of Feicheng, the dates of Leling, and the peanuts and prawns of Shandong, all of which are famous at home and abroad.

Shandong is one of the cradles of Chinese civilization, styled as the "states of Qi and Lu." There are numerous scenic spots of historical interest. In Taian County, there are the relics of the Dawenkou Civilization; in Shangqiu County, there are the relics of the Longshan Civilization; in Qufu, there are the "three Gongs," meaning the temple, mansion and forest of Gongfuzi [Confucius]. All these are world famous historical sites. There is also the Taishan Mountain of the East, the first of the five famous Chinese mountains; the Laoshan Mountain of infinite charm; the "City of Spring" Jinan; the summer resort Qingdao; the "City by the Sea" Yantai; and the "Fairy Land" of Fenglai. All these are attractions for Chinese as well as foreign tourists and valuable assets for the development of tourism.

Industrial and Agricultural Development

Since the founding of New China, Shandong Province has made great progress in industrial and agricultural development. In 1979, the total industrial and agricultural output value of the province reached 42.1 billion yuan, a 12-fold increase over that of 1949. In 1980, it was further increased to 45.2 billion yuan, an 8.3 percent increase over that of 1979.

Conditions of agricultural production in Shandong have been very much improved. There are now more than 170 large and medium-size reservoirs, more than 500,000 motor-pumped wells, a total irrigated area of more than 67 million mu including some 40 million mu which guarantee high and stable yields despite drought and flood conditions. It has also a total of more than 14.7 million horsepower for its farm machinery, the highest in the country. In 1979, the total agricultural output value was 12 billion yuan, being 5.2 times that of 1949 which was then only 2.3 billion yuan. The total grain output was an all time high of 46.1 billion jin. The cash crops, forestry, animal husbandry, sideline production and fishery have all greatly increased their yields. Although unfavorable weather in 1980 brought about a fairly serious reduction of the summer grain, the annual grain output still exceeded 45 billion jin. The total output of cash crops and cotton was more than 10.7 million dan, more than doubling that of 1979. Shandong was the second province to exceed the amount of 10 million dan of cotton. Its total peanut output was more than 2.6 billion jin, the best record in history. There were also large increases in the output of hemp, cured tobacco and silkworm cocoons, and in animal husbandry and breeding from the sea. In 1980, the total agricultural output value, according to preliminary statistics, has already reached 13 billion yuan.

As for industrial production, the province has already set up an industrial system with a fairly complete assortment of different categories and able to produce

complete sets of equipment, after some 30 years' effort. In 1979, the total industrial output value was 29.7 billion yuan, being more than 30 times that of 1949. In 1980, it reached 32.2 billion yuan, an 8.29 percent increase over that of 1979, with a growth rate of 17.2 percent in light industry. At present, there are more than 18,000 factories, mines and enterprises in Shandong. The productive capacity in petroleum, coal, metallurgy, chemical industry, machinery, construction materials, light industry, and textile industry is also quite considerable. For example, light industry, textile industry, rubber industry, food trade and marine chemical industry in Qingdao; machinery manufacturing, paper making, garment and construction materials industries of Jinan; the petro-chemical industry, metallurgy, pharmaceutical, ceramic and oil industries of Zibo Municipality; the brewery, clock and watch, and padlock industries of Yantai; the power machinery, textile and printing and dyeing industries of Weifang; and coal mining in Zaozhuang are of fairly large scales with high levels of production techniques.

In the past several years, there has been fairly great development of commune- and production brigade-run industries in the countryside. Production of articles of mainly handicraft art which requires high labor intensity has also rapidly developed. The handicraft articles of Shandong have had a long history and are of many varieties, all with their elegant and unique features. Among them, the drawn work, the woven straw and wicker articles, carved shells, embroidery and many types of imitation antiques are all of a very high standard and famous at home and abroad.

After a long construction period, a transportation network consisting of railways and highways has been formed in Shandong Province. For railways, there are two large trunk lines--the Tianjin-Pukou Railway and the Jiaodong-Jinan Railway--and several feeder lines throughout the province, totaling 1,385 kilometers. The construction of another railway from Yangzhou to Shijiusuo will soon be started. Highways radiate in all directions, totaling more than 35,000 kilometers. More than 100 county cities and some 2,000 people's communes throughout the province are accessible by highways. There are now more than 88,000 civilian vehicles and more than 240,000 motor cars of various types in the province. Highways are now mainly relied on for transportation in the province, supplemented by 2,200 kilometers of inland water transportation routes. There are many fine harbors along the coast of Shandong Province. The coastline occupied by the wharves of Qingdao, Yantai and Huangdao ports is over 10,000 meters. There are 63 berths capable of handling about 25 million tons of cargo each year. The ports of Qingdao and Yantai can accommodate 10,000-ton ships, and the port of Huangdao can accommodate 5,000-ton ships. In addition, there are 15 other small and medium-size ports including Weihai, Shidao, Longkou and Shijiusuo with their wharves occupying some 2,800 meters of the coastline. The construction of a large port is about to begin in Shijiusuo. After completion, it will be able to accommodate 10,000-ton ships.

Prospects of Development in Economic Construction

Qin Hezhen [4440 0735 3791], vice governor of Shandong Province, talked to the correspondent about the prospects of development in economic construction. According to him, Shandong has already had a certain foundation for agricultural production, and on this foundation, every effort should be made to raise the production level by bringing into play the strong points of the province, and to improve the

methods of management and technology of production so that in the not distant future, an economic structure with a gradual all-round agricultural development, a fairly flourishing industry and fairly advanced science and technology as its own special features can be built up as a new contribution to the four modernizations.

Qin Hezhen said: According to the policy of our national economic readjustment, we have adopted strong measures to accelerate the development of agriculture, energy resources and light, textile and electronic industries in such a way that there will be a well-balanced relationship among agriculture, light industry and heavy industry in our economic structure.

He continued: While continuing to develop grain production in agriculture, we will make even greater efforts to develop forestry, animal husbandry, sideline production, fishery and the cash crops. There should be increased outputs of cotton and peanuts by a wide margin in the next several years. Preliminary readjustment has been made for the acreage of grain and cash crops with great success. Hereafter, we will make a special effort to raise the per-mu output so that the total outputs of grain and cash crops will continue to increase. For forestry, full use will be made of some 20 million mu of barren mountains, deserted beaches and the spacious plains for planting trees so as to increase the vegetation. Special attention will be paid to the planting of economic trees, such as Tung trees, Chinese catalpa, walnut and chestnut trees. In fruit production, the per-mu output should be increased and the quality improved, in addition to the development of our famous special products. In animal husbandry, main attention will be paid to the rearing of cows, sheep and rabbits so as to gradually alter people's food pattern and to expand the export of meat, leather and fur. In sideline production, we should vigorously develop the commune- and production brigade-run enterprises and the family sideline occupation in the countryside, so that the peasants' income can be significantly raised. In fishery, we have to make full use of our long coastline, the large number of beaches in the shallow seas, and some 4 million mu of inland water surface for breeding prawns, sea cucumbers, abalones and other maritime or fresh water products.

Speaking of plans for industrial development, Vice Governor Qin Hezhen said: The province will make full use of the present 18,000 enterprises as a foundation for further tapping production potentials. We will strive to improve the quality of products, increase the designs and varieties, lower the production costs, and make the products more competitive. In order to bring into play the many strong points of natural resources in the province, and in addition to speeding up the prospecting and production of petroleum and enlarging the productive capacity of the old coal mines, we are now concentrating our efforts on opening up the Zaozeng coal field in Yangzhou. The focus of work will be directed on the development of light, textile and electronic industries with corresponding development in the petro-chemical industry, the saline chemical industry and the coal-tar chemical industry. At the same time, we will take advantage of the abundance of manpower in Shandong Province in developing the commune- and production brigade-run industries, in utilizing local raw materials and in promoting labor-intensive production. In 1980, he continued, there will be large increases of cash crops in Shandong Province and this will supply sufficient raw materials for the light and textile industries. An even larger development can be expected of light and textile industries in the province in 1981.

Qin Hezhen also mentioned the scenic and historic sites in the province as favorable conditions for the development of tourism. In the past several years, more and more people, both Chinese and foreigners, came to spend their summer in Qingdao, Yantai and other coastal cities. The province will take advantage of this unique natural condition for the active development of tourism.

Qin Hezhen said: Along with the development of economic construction, the scope of cooperation between the province and people of the industrial, commercial and financial circles in Hong Kong, Macao and foreign countries will continue to expand. To strengthen our economic activities abroad and our leadership over, and organization of, foreign trade, the province had already formed the Shandong Provincial Import and Export Administration Committee, the General Foreign Trade Company of Shandong Province, and the Huajian Company of Shandong Province which will be specially responsible for guiding the overseas Chinese, the compatriots of Hong Kong, Macao and Taiwan, and foreigners of Chinese origin in investment so as to absorb more foreign exchange. The establishment of these organizations will further promote the economic cooperation and trade contacts between the province and the outside world.

Intensified Economic Activities Abroad

At an interview, a responsible person of the Shandong Provincial Import and Export Administration Committee told the correspondent that in recent years, Shandong has been very active in economic work abroad. Since 1978, more than 3,000 guest traders from overseas have been invited and received in the province for the purpose of discussion on economic cooperation. At the same time, the province has dispatched dozens of professional groups to many countries and regions in the world for trade inspection and economic and technological exchange. By the end of 1980, the province made use of foreign funds in importing advanced technology and equipment and transforming and expanding 493 projects, and 416 of them, mostly projects of light, textile, chemical and machinery industries and projects for leather manufacturing and fishery production, have already been commissioned and produced results. Among these projects, 117 of them were financed with foreign funds in 1980.

Shandong Province has actively developed economic cooperation with foreign countries in the forms of processing materials supplied by the customers according to their designs, assembling work, compensatory trade and cooperative production. Since 1978, 66 transactions have been concluded with foreign traders in the forms of processing and assembling work or small-scale compensatory trade mainly in knitted underwear, beer, fried peanuts and equipment for refining peanut oil, asparagus processing, spring roll processing, production of carbolic acid barium particles, leather processing, tanning and dyeing of furs, electroplating and graphite mining. For processing and assembling work, there are garments, gloves, downy quilts, tourist portfolios, grey dacron-cotton cloth, coarse yarns, vermicelle made from starch, squid, roe and so forth. For cooperative production or the production of certain brands, there are lathes, metal tools, rubber shoes and so forth.

At present, there are still many projects for small-scale compensatory trade under discussion. Some fairly large projects include those with annual output of 10,000 tons of cellophane and 40,000 tons of carbon materials, large factories with an annual productive capacity of 1.2 million tons of cement, coal mines with an annual yield of 1.2 million tons of coal and some medium-size coal tar chemical complexes.

The same responsible person of the Shandong Provincial Import and Export Administration Committee said that there were very good prospects for Shandong's economic cooperation and trading with factories and traders in foreign countries and in Hong Kong and Macao. He hoped to establish even closer contacts with overseas factories and traders and to carry on more extensive economic cooperation and technological exchange with them. In agriculture, according to a preliminary estimate, technological exchange and economic cooperation will take place in the development of animal husbandry and maritime breeding, the cultivation of fine strains of fruits, and the processing and storage of agricultural and animal husbandry products. In industry, transformation through the importation of advanced technology will be carried out in spinning and weaving, printing and dyeing, the production of garments, leather and fur articles, foodstuff, and chemical, electronic and machinery products so that complete sets of equipment can be produced to bring up a new generation of goods. In addition, the committee is prepared to utilize foreign funds in the form of compensatory trade and cooperative production for the exploitation of rich nonmetallic mineral resources such as graphite, talcum, Dali marble, granite and so forth. It is also willing to cooperate with foreign trades in various forms in coal mining, developing the coal tar chemical industry and the saline chemical industry, and in producing cement, glass and other construction materials. In the development of tourism, there are even more opportunities for cooperation in the form of building restaurants, hotels and other travel establishments.

In 1981, economic cooperation with foreign countries in Shandong will be focussed on the development of light, textile and chemical industries; the production of construction materials and machinery; and the opening of nonmetallic mines. The province will continue its cooperation with foreign countries in the forms of processing materials supplied by the customers according to their patterns, assembling work, producing the designated brands, compensatory trade and other forms as mutually agreed upon. The customers supplying patterns or diagrams for processing certain brands of articles are particularly welcomed.

Steady Progress of Foreign Trade

A responsible person of the Shandong Provincial Foreign Trade Bureau told the correspondent about the conditions of foreign trade development.

Shandong supplies one of the main ports for foreign trade. There is a fairly abundant supply of commodities as a result of industrial and agricultural development in the past several years, and Shandong's foreign trade has also developed rapidly. In 1979, the proceeds from Shandong's export trade amounted to 1.3 billion dollars, which is nearly 10 percent of the total national revenue from export trade, or 57.3 percent more than that of 1978. In 1980, the amount from export

trade further rose to 1,763.13 million dollars, an increase of 35 percent over that of 1979. Among the exported goods, the amounts of petroleum, petro-chemical industrial products, hardware, machinery, tools, garments, nonmetallic mineral products, articles of handicraft art, animal products, native products, peanuts and its by-products have increased more rapidly.

Shandong's foreign trade has developed rapidly for the following reasons: First, it is rich in natural resources with its fairly well developed industry and agriculture serving as a solid foundation. Also, the quality of its products has been constantly raised, the designs and varieties increased, and the packaging improved. Secondly, the foreign trade department of Shandong pays great attention to its contract obligations and organizes its production by strictly following the contract stipulations with regard to quality, specifications, quantity and delivery dates. By this means, it has won the trust of customers, whose number is now continuing to increase. Thirdly, Shandong has adopted various flexible forms of trade in recent years to suit the customer's convenience in processing their materials and producing their brands with neutral packaging. These methods have further strengthened mutual cooperation. Fourthly, Shandong uses the method of "inviting in and going out" as a means of strengthening their contract with foreign customers, and this method has helped promote mutual understanding and increased the trading channels with foreign businessmen. With better mutual understanding and in view of its goodwill, many countries and regions have formed business relations with Shandong by serving as wholesalers or commission agents.

Shandong has by now established business relations with nearly 140 countries and regions, and are exporting more than 70 varieties of goods, the main items being petroleum, shelled peanuts, unshelled peanuts and their by-products, drawn work, prawns, woven straw and wicker articles, rabbit fur, chamois, goat-skin, cured tobacco, hemp, articles of handicraft art, textile products, garments, silk petro-chemical industrial products, rubber articles, lathes, machinery of various types, hardware, nonmetallic mineral products, ceramics, meat, beer, medicinal wine, drugs and so forth.

After 30 years' efforts, Shandong has gradually established a system of service and production to promote foreign trade. Yantai, Changwei, Linyi and Heze Prefectures have been basically transformed into comprehensive bases for the production of agricultural and sideline products to support export, while in Qingdao Municipality, a base for the export of light and textile industrial products is being rapidly built with advanced technology. Furthermore, there are 23 bases used for exporting single special items and thousands of industrial and mining enterprises, special factories and special workshops serving the export trade. The production level of these bases, special factories and special workshops is constantly rising to augment the sources of exported goods, including a large amount of special Shandong products, such as peanuts, prawns, articles of handicraft art, rabbit fur, frozen rabbit meat, chamois, goat-skin, Tung wood, Qingdao beer, various brands of liquor and so forth. Shandong is in the top rank in the country with respect to not only the quantity, but also the quality of its exported goods and the high prestige it enjoys in the world market. Through careful implementation of the policy of national economic readjustment, Shandong has rapidly developed its national economy, especially its agriculture and light and textile industries.

Besides meeting the people's needs in the province, it will have more and better industrial and agricultural products for export. From now on, there will be an even larger scope for Shandong to develop its trade contact with various countries and regions in the world.

A responsible person of the General Foreign Trade Office said that on 21 February, there will be an exhibition of Shandong export commodities on the second floor of the Star Building in Tsimshatsui, Kowloon, Hong Kong. Over 500 varieties, totaling 6,000 items including artistic work, textile, light and chemical industrial products, hardware, mineral products, mechanical equipment, grain oil, other foodstuff, native goods and animal products, will be on display. This exhibition will show all that is best in Shandong and will to a certain extent reflect on the level of industrial and agricultural production in the province. All businessmen are cordially invited to visit this exhibition and to discuss business.

9411

CSO: 4006

GENERAL

BRIEFS

NATIONAL ADVERTISING FIRM--Beijing, 24 Mar (XINHUA)--The establishment of the China Advertising United Corporation, composed of agencies in 25 cities, was announced at a press conference here today by Cang Shi, general manager of the corporation. The corporation will begin business 15 April. The corporation is a socialist enterprise set up jointly on a voluntary basis by advertising companies of Beijing, Shanghai, Tianjin, Nanjing and Guangzhou and 20 other cities. The corporation will handle national and international advertisements and will provide such advertising services as ad techniques, art, designing and promotion. The firm also will train technicians, artists and management personnel, he said. The corporation will closely cooperate with advertising companies in other parts of the country. "Our agency is willing to cooperate with foreign companies, firms and businessmen in promoting economic exchange between China and foreign countries," he said. [Text] [Beijing XINHUA in English 1305 GMT 24 Mar 81]

CSO: 4020

INDUSTRY

BRIEFS

BOASHAN STEEL PLANT--Shanghai, 9 Apr--Construction of the Shanghai Baoshan Iron and Steel Plant, which has riveted people's attention, is being stepped up amid the readjustment of the national economy. The vast worksite presents a bustling scene. Foreign reports that work on the Baoshan project "has been halted" are sheer unfounded rumors. According to the original plan for constructing the plant, the work will proceed in two stages. The first stage includes building a 1,600 meter wharf for transporting materials, the entire coking installation, the No 1 blast furnace, two steel-refining furnaces, the entire initial rolling project, the entire machinery repair system, and the entire power generating system. All these projects are now taking shape, and work on the wharf is in the final stages. The No 1 generator set in the power station will be put into operation at the beginning of next year. Most of the equipment purchased from abroad for constructing the plant will be in place by the end of this year. According to our information, construction of certain second-stage projects will be suspended. China will adopt the principle of caution with regard to this matter and act according to its consistent policies in properly handling problems of cooperation with foreign businessmen. [Text] [HK090831 Hong Kong HSIN WAN PAO in Chinese 9 Apr 81 p 4]

CSO: 4006

FOREIGN TRADE

PRC-HONG KONG SHIPPING VENTURE 'PROGRESSING WELL'

HK010314 Hong Kong SOUTH CHINA MORNING POST in English Business News Supplement
1 Apr 81 p 16

[By T.S. Koo]

[Text] The year-old China-Hong Kong joint shipping venture has gathered momentum by doing \$450 million worth of business.

The venture, International United Shipping and Investment Co Ltd, has placed orders for 8 bulk carriers, purchased 7 more from the secondhand markets and acted as brokers for 11 new ships to be built in China.

The venture was formed by the China Corporation of Shipbuilding Industry, the China National Ship Chartering Corp, the Worldwide Shipping Group and the World Finance International Ltd.

According to a source, International United has bought 7 secondhand bulk carriers of the 20,000-30,000 ton range and they are now operating under long-term charter.

The total cost of these ships is estimated at \$70 million.

It has secured orders for China for the construction of 11 bulk carriers at its shipyards in Shanghai and Dalian.

These orders are worth some \$180 million.

Of these new buildings, six vessels--four 36,000 tonners and two 27,000 tonners--were ordered by the Worldwide Group, two 27,000 tonners by the Wheelock Group, two 27,000 tonners by the Hong Kong Shipping Agencies Ltd and one 36,000 tonner by the Prompt Shipping Corp.

International United also placed its own orders for eight ships worth \$200 million.

Orders for two 60,000-ton Panamax bulk carriers went to Japan, for four 15,000-ton general cargo ships to the United States and for two 36,000-ton bulk carriers to Chinese yards.

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